



# State of Utah

DEPARTMENT OF COMMERCE  
Committee of Consumer Services

Press Release

Friday, 6 September 2002

## COMMITTEE RECOMMENDS A \$14 MILLION DECREASE IN NATURAL GAS RATES

The Committee of Consumer Services (CCS or Committee) has recommended that Questar Gas Company's (QGC or Company) general rates for its natural gas customers in Utah should be reduced by 7%. In the rate case currently before the Public Service Commission of Utah (PSC or Commission), the CCS seeks a \$14.2 million decrease for Utah. The Committee is a consumer watchdog organization that advocates on behalf of residential and small commercial (including agricultural) customers of the large utility companies providing service in Utah.

QGC asked the PSC for an additional \$23 million in annual revenues, an increase of nearly 10% over its present rates. The CCS examined several aspects of the rate case and filed testimony before the Commission on revenue requirement, rate spread and rate design.

Based on its review of the Company's revenues, investments and expenditures during calendar 2001, the Committee recommends that QGC's annual revenues going forward should be \$37 million lower than the Company proposed. This would result in the rate reduction of \$14 million.

The following issues represent some of the significant differences between the rates sought by QGC and those recommended by the Committee:

- Return on Equity:** QGC asked for 12.6% return on common equity. Based on current economic conditions, and the fact that the Company's financial risk is lower than average for other local distribution companies, the CCS recommends a 10%. The difference between the Committee's recommendation and the Company's request amounts to approximately \$10 million (of the \$37 million).
- Capital Structure:** The Committee also recommends continuing to include less expensive short-term debt in the Company's capital structure, which accounts for a further \$5.2 of the difference.
- Rate Spread:** A disproportionately large share of distribution system costs is currently allocated to QGC's GS-1 Tariff, which sets the rates for all residential and the great majority of business customers. So the Committee recommends that any decrease in rates authorized by the Commission should all be allocated to that Tariff. If there is an increase, none of it

should be allocated to GS-1 Tariff customers.

Rate Design:

There are three major elements in the current GS-1 Tariff: a \$5.00 customer charge; \$2.25 per decatherm for the first 45 decatherms, and \$0.98 per decatherm thereafter (winter rates).

Fewer than 1000 of QGC's residential customers in Utah use more than 45 decatherms. It is the largest business customers who chiefly benefit from this "declining block rate", which is based on an out of date cost study. The Committee recommends a more appropriate allocation of costs across the various categories of QGC's customers that would reduce the difference between these rates. This would benefit most residential and small business customers.

The Company would like to increase the customer charge to \$6.00 monthly. This charge is very unpopular among customers, who generally would prefer to pay for the gas they use than simply for its availability. And, like the declining block rate, it does nothing to encourage conservation. The CCS recommends that the charge remain at its current level of \$5.00.

The Committee also recommends initiating a task force to review QGC's cost study so that, in future, costs can be allocated more closely to the categories of customers who cause them.

The Committee has also made recommendations on line extension policy issues, the recovery and spread of CO<sub>2</sub> costs, and is examining customer service issues.

The Committee urges the Commission to examine the issues carefully to protect Utah ratepayers.

Public Witness Day has been scheduled for 21 October, 2002, at 4:30 pm, in the Heber Wells Building. Any Utah customer wishing to testify before the Commission in this matter should appear on that day and time.

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